

G-011/M-91-418 ORDER GRANTING VARIANCE, DENYING RETROACTIVE
RECOVERY, AND REQUIRING FURTHER FILING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
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Commissioner

In the Matter of a Request from
Peoples Natural Gas Company for
a Variance to Minn. Rules, Part
7825.2700 to Allow Recovery of
Carrying Costs on Gas in Storage
Through Its Monthly PGA

ISSUE DATE: May 14, 1992

DOCKET NO. G-011/M-91-418

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RETROACTIVE RECOVERY, AND
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PROCEDURAL HISTORY

On May 31, 1991, Peoples Natural Gas Company (Peoples or the Company) filed a request for a variance from Minn. Rules, Part 7825.2700, the Purchase Gas Adjustment (PGA) rule. Peoples sought the variance in order to be allowed to recover carrying costs on Firm Deferred Delivery (FDD) storage gas through its monthly PGA. Gas storage carrying costs are not mentioned specifically under Minn. Rules, Part 7825.2700 as allowable charges which may be recovered through the PGA. The Company requested recovery of carrying costs for the 1990-91 and 1991-92 heating seasons.

On January 22, 1992, the Department of Public Service (the Department) filed its report. The report indicated that Peoples had been recovering FDD costs other than carrying costs through its PGA since the 1990-91 heating season. The Department recommended that the Commission grant a variance to Peoples which would allow it PGA recovery of FDD carrying costs from 1991-92 forward. The Department also recommended that the Company be required to submit certain additional information in its monthly PGA filings.

On January 31, 1992, Peoples filed a response in which it indicated that it was in agreement with the Department's recommendations.

The matter came before the Commission for consideration on May 5, 1992.

FINDINGS AND CONCLUSIONS

The Commission has previously found that gas contract storage service can be of benefit to Minnesota consumers. As the Commission said in a June 12, 1991 Order¹ allowing Great Plains Natural Gas Company FDD storage cost recovery:

FDD can increase flexibility and reliability of supply, since the LDCs [local distribution companies] can shop a variety of suppliers over a large portion of the year. Prices of FDD can be more favorable and less subject to weather-driven swings than prices of other types of gas supply.

In the same Order, the Commission also discussed allowing recovery of carrying costs associated with FDD:

Because the Commission has found that the judicious use of FDD supply can be of benefit to Minnesota ratepayers, the Commission will as a matter of policy encourage well-designed gas purchase programs...Allowing LDCs to recover carrying charges associated with the use of contract storage service would be part of such a plan. If LDCs were not allowed to recover their carrying costs, they would be penalized for their choice of this means of supply.

The Commission finds that it is appropriate and reasonable in this case to allow Peoples recovery of its FDD carrying costs as well as other FDD costs through its PGA. Granting a variance to allow carrying cost recovery fulfills the requirements for a rule variance found in Minn. Rules, Part 7830.4400:

1. Enforcement of the rule would impose an excessive burden upon the applicant or other affected by the rule.

In this case, enforcement of Minn. Rules, Part 7825.2700 would result in the Company's absorbing the gas storage carrying costs it has incurred to date. This would be an excessive burden in light of the fact that Peoples has benefitted ratepayers through the use of FDD. As an example, the Company's filing indicated that FDD purchases saved ratepayers approximately \$303,000 in 1990-91.

2. Granting of the variance would not adversely affect the public interest.

¹ In the Matter of Great Plains Natural Gas Company's Petition to Recover the Costs Associated with Storage Service through Its Purchase Gas Adjustment, Docket No. G-004/M-91-142, ORDER EXTENDING VARIANCE AND SETTING FILING REQUIREMENTS.

Allowing Peoples to recover FDD storage carrying costs would most likely benefit ratepayers by providing an incentive to Peoples to use FDD service to purchase lower cost gas for deferred delivery.

3. Granting of the variance would not conflict with the standards imposed by law.

Recovery of FDD carrying costs is possible under Minn. Stat. § 216B.16, subd. 7, which lists direct costs of natural gas as one of the three types of costs for which the Commission may allow automatic adjustment charges.

The Commission will allow Peoples to recover carrying costs on gas storage supplies for the 1991-1992 heating season, which begins in July 1991. The Commission agrees with the Department that it would not be appropriate to allow retroactive recovery for the 1990-91 season. The Company did not object to limiting recovery to the 1991-92 season.

The variance will terminate at the time final rates are implemented in Peoples' current rate case, G-011/GR-92-132. At that time, the Company may apply for a further variance or the Commission may find that gas storage carrying costs are best examined in a rate case on an annualized test year basis rather than through PGA filings.

The Commission will require the further informational requirements requested by the Department. They will be a reasonable means of monitoring the application of FDD charges and carrying costs in the Company's monthly PGA filings.

ORDER

1. Peoples Natural Gas Company is granted a variance from Minn. Rules, Part 7825.2700, to allow the Company to recover carrying charges associated with contract underground gas storage through the PGA. Recovery shall be at prime rate. The variance will be in effect from July 1, 1991 through the date that final rates are implemented in the Company's current rate case, G-011/GR-92-132.
2. Peoples shall file the following information in its next PGA filing and all future monthly PGA filings:
 - a. Documentation of FDD charges from Northern Natural Gas;
 - b. Step-by-step calculations showing how Peoples recovers Northern's FDD charges in the PGA;

- c. A log of gas injections into storage (date, cost, amount in Mcf, and allocation to Minnesota's jurisdiction);
 - d. The date of payment for the gas in storage; and
 - e. Step-by-step calculations showing how Peoples recovers carrying charges at the prime rate.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

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